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AMEMBASSY BRUSSELS
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USOECD

USEEC

TREASURY FOR UNDER SECRETARY SOLOMON

PASS FRB FOR GOVERNOR WALLICH, CEA FOR SHAFER

E.O. 11652: GDS
TAGS: EFIN, ECON, OECD
SUBJECT: OECD ECONOMIC POLICY COMMITTEE'S WORKING
PARTY 3 MEETING, FEBRUARY 16-17
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REF: (A) PARIS 36815, (B) PARIS 1932 (NOTAL),
(C) PARIS 35069, (D) PARIS 6190

SUMMARY

1. MEETING OF WP-3 SUBSTANTIALLY RETURNED TO THE

THEMES OF ITS SESSION LAST NOVEMBER, WITH EMPHASIS ON 1978 PROSPECTS FOR US CURRENT ACCOUNT DEFICIT AND ITS FINANCING, ON THE CAUSES OF THE DEFICIT AND ITS IMPLICATIONS FOR DOLLAR EXCHANGE RATE AND ON THE POLICY POSTURE OF US AUTHORITIES IN FACE OF THE DEFICIT.

THE MEETING BEGAN WITH POINTED QUESTIONS DIRECTED AT US, BUT AS DEBATE EVOLVED THE FOCUS WAS INCREASINGLY ON THE DESIRABILITY OF FASTER GROWTH OUTSIDE THE US AS PRINCIPAL MEANS (IN ADDITION TO EFFECTIVE US ENERGY POLICY) OF REDUCING PAYMENTS IMBALANCE. THUS, UNUSUALLY LONG AND DETAILED SUMMATION OF DISCUSSION BY WP-3 CHAIRMAN MATSUKAWA (TEXT SENT REFTEL D) INCLUDED CONCLUSIONS THAT (A) US DEMAND MANAGEMENT POLICY IS ABOUT RIGHT AND SHOULD NOT BE CUT BACK, (B) FASTER GROWTH IN MOST OTHER MAJOR COUNTRIES WOULD BE DESIRABLE, (C) THERE IS ROOM FOR LOWER INTEREST RATES IN SOME OF THEM IN ORDER TO ENCOURAGE CAPITAL FLOWS TO US, AND (D) ANSWER TO DOWNWARD PRESSURE ON DOLLAR'S EXCHANGE RATE (AND UPWARD PRESSURE ON OTHER CURRENCIES) LIES ESSENTIALLY IN FUNDAMENTAL ECONOMIC POLICY RESPONSES RATHER THAN IN MASSIVE INTERVENTION IN EXCHANGE MARKETS.

2. DISCUSSION ALSO NOTED THAT CONFIDENCE WAS A SIGNIFICANT FACTOR IN EXCHANGE MARKETS, AND SOME SPEAKERS EXPRESSED CONCERN ABOUT THE RISK OF SERIOUS "OVERSHOOT".
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ING" IN THE FUTURE (BUT NO ONE OTHER THAN SWISS WAS WILLING TO STATE THAT SUCH OVERSHOOTING HAD YET OCCURRED). SOME DELEGATES ALSO ARGUED THAT US MIGHT HAVE DIFFICULTY IN FINDING "WILLING" OFFICIAL FINANCING OF THE 1978 CURRENT ACCOUNT DEFICIT, BUT US ANALYSIS SOUGHT TO ALLAY SUCH FEARS AND TO CORRECT MISCONCEPTIONS ABOUT VALUE OF "OFFICIAL SETTLEMENTS" BALANCE UNDER FLOATING EXCHANGE RATE SYSTEM. JAPAN AND (PARTICULARLY) FRG CONTINUED TO ADDUCE CONSTRAINTS ON ACHIEVING MORE GROWTH OF THEIR ECONOMIES THAN PRESENTLY ENVISIONED. US EXPRESSED STRONG DISPLEASURE WITH PRESS LEAKS OF OECD DOCUMENTS WHICH ADDED FUEL TO DISTURBANCES IN EXCHANGE MARKETS. SECOND DAY SPENT MOSTLY ON DISCUSSION OF ENERGY PROSPECTS, OF TECHNICAL PAPERS ON MEASUREMENT OF COMPETITIVENESS AND OF RELATIONSHIP BETWEEN MONETARY MANAGEMENT AND THE EXTERNAL PAYMENTS SITUATION. NEXT WP-3 MEETING TENTATIVELY SET FOR JUNE 7 (IMMEDIATELY FOLLOWING EPC WHICH EXPECTED TO BE SCHEDULED FOR JUNE 5-6). END SUMMARY.

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3. INTRODUCTION. AS AT PREVIOUS NOVEMBER'S SESSION,
FEBRUARY 16-17 MEETING OF WP-3 FOCUSED ON US
PAYMENTS SITUATION. GIVEN NATURE OF SECRETARIAT'S
DOCUMENTATION AND BACKGROUND OF CONSIDERABLE FLUCTUA-
TIONS IN EXCHANGE RATES OVER INTERVAL SINCE LAST
MEETING, DISCUSSION OF PROSPECTS FOR REDUCTION OF US
DEFICIT AND FOR ITS FINANCING IN 1978 WAS KEYED TO
LIKELY CONSEQUENCES FOR EXCHANGE RATES.

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US PRESENTATION

4. US DEL (UNDER SECRETARY SOLOMON) LED OFF, NOTING THAT THE MAIN CAUSE OF THE US CURRENT ACCOUNT DEFICIT IN 1977 WAS SLACK IN MAJOR US MARKETS -- OUR GROWTH RATE IS ROUGHLY TWICE THAT OF EUROPE. WHILE RECOGNIZING THE DIFFICULT US "STRUCTURAL" PROBLEM WITH ENERGY, HE ARGUED THAT, IF US GROWTH RATE HAD BEEN AS LOW AS EUROPE'S, THERE WOULD BE NO DEFICIT. WE EXPECT THE SITUATION TO IMPROVE SOMEWHAT IN 1978 -- US GROWTH WILL SLOW A BIT TO 4 3/4 PERCENT, WESTERN EUROPE'S GROWTH SHOULD BE UP ABOUT A PERCENT. THE KEY TO REDUCTION OF US DEFICIT IS AN INCREASE IN GROWTH IN MAJOR TRADING PARTNERS. US OIL IMPORTS ARE EXPECTED TO STAY AT THE 1977 LEVEL OF 9 1/2 MBD, DESPITE PLANNED STOCKPILING FOR THE RESERVE. WE HAVE ALL BENEFITED FROM THE 6 MONTH OPEC PRICE FREEZE, AND EXPECT IT TO BE PROLONGED. WHILE THE 1978 DEFICIT IS LIKELY TO BE ROUGHLY OF THE SAME ORDER OF MAGNITUDE AS THE 1977 DEFICIT, THERE IS A REASONABLE CHANCE OF GETTING SOME IMPROVEMENT DURING THE YEAR -- AND CERTAINLY THERE WILL BE A REDUCTION IN 1979.

5. SOLOMON SAW NO DIFFICULTY IN FINANCING THE 1978 DEFICIT, IF MARKET EXPECTATIONS ARE STABLE. IF THE MARKET IS BEARISH ON THE DOLLAR, THE ENSUING CAPITAL OUTFLOWS SWAMP THE PROBLEM OF THE CURRENT ACCOUNT DEFICIT AND LEAD TO CONSIDERABLE DOWNWARD PRESSURE ON THE RATE. BUT IF THE MARKET EXPECTS A STABLE RATE, THE DOLLAR MAY ACTUALLY APPRECIATE. REASONS CITED BY SOLOMON FOR BELIEVING THAT THE CURRENT ACCOUNT DEFICIT CAN BE FINANCED WITHOUT DIFFICULTY INCLUDE:

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(A) OPEC FLOWS ARE AUTONOMOUS, AND HAVE "SUBSTANTIAL CONTINUITY";

(B) IN 1976, US TOOK IN \$18 BILLION IN OFFICIAL INFLOWS WITH NO PRESSURE ON THE EXCHANGE RATE;

(C) OF THE \$35 BILLION OF OFFICIAL ACCUMULATIONS THIS YEAR, ONLY PERHAPS \$11 BILLION WERE BY CLEARLY "RELUCTANT" HOLDERS;

(D) THE FEDERAL RESERVE DISCOUNT RATE MOVE, AND EMERGING INTEREST RATE DIFFERENTIALS, WILL HAVE AN EFFECT AS EXPECTATIONS STABILIZE.

6. SOLOMON STRESSED THAT THE US DOES NOT HAVE AN

EXCHANGE RATE POLICY BUT RATHER AN EXCHANGE MARKET POLICY. WE HAVE ACTED TO CORRECT A VOLATILE MARKET IN COOPERATION WITH THE GERMANS. THIS HAS INVOLVED VIGOROUS INTERVENTION AT TIMES, BUT AT OTHER TIMES MARKETS WERE CALM ENOUGH NOT TO REQUIRE ANY INTERVENTION. PRIOR TO THE RECENT G-5 FINANCE MINISTERS MEETING, THERE WERE 3 WEEKS OF MARKET STABILITY WITH NO INTERVENTION. WE DO NOT THINK WE CAN TELL WHETHER RATES ARE UNDER- OR OVER-VALUED. THUS, WE SEEK TO INFLUENCE MARKET PSYCHOLOGY RATHER THAN LEVEL OF RATES. THE MARKET CAN BE UPSET BY STATEMENTS AND LEAKS TO THE PRESS (SEE PARAGRAPH 21 BELOW).

7. TURNING TO ENERGY POLICY, SOLOMON OUTLINED THE STATUS IN CONGRESS OF THE ENERGY BILL. HE SAID THAT THE MAJOR HANG-UP IS A REGIONAL STRUGGLE OVER

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NATURAL GAS PRICING. ONCE THIS IS RESOLVED, REST OF PACKAGE CAN BE WORKED OUT. IF THERE IS NO RESOLUTION, THE PRESIDENT WOULD TAKE EXECUTIVE ACTION. SOLOMON POINTED OUT THAT, IN THE MEANTIME, WE ARE USING ENERGY MORE EFFICIENTLY. HE CITED API AND IEA FIGURES ON GASOLINE CONSUMPTION AND OVERALL ENERGY USE, AND INDICATED A BELIEF THAT THE US CAN STABILIZE OIL IMPORTS BY EARLY TO MID-80'S.

8. GOV. WALLICH NOTED THAT THE "OFFICIAL SETTLEMENTS"
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CONCEPT STRESSED BY THE SECRETARIAT IN ITS ANALYSIS OF THE US PAYMENTS POSITION IS NOT APPROPRIATE TO A FLEXIBLE RATE REGIME. IN EFFECT, OTHER COUNTRIES DETERMINE THE US DEFICIT ON THAT DEFINITION BY THEIR INTERVENTION POLICIES. WITH THE EXCEPTION OF THE "SNAKE", INTERVENTION IS VOLUNTARY. INCREASED OFFICIAL HOLDINGS REFLECT A VARIETY OF MOTIVES. WALLICH ALSO NOTED THAT CENTRAL BANK TRANSACTIONS MAY REPLACE, RATHER THAN SUPPLEMENT, CHANGES IN PRIVATE FOREIGN HOLDINGS OF DOLLARS AND THAT ONE CANNOT ADD PRIVATE CAPITAL OUTFLOW TO THE CURRENT ACCOUNT DEFICIT TO GET AN "OVERALL" MEASURE OF THE FINANCING REQUIREMENTS.

9. WALLICH REITERATED THAT RELATIVE GROWTH RATES ARE THE BASIC DETERMINANT OF CURRENT ACCOUNT MOVEMENTS. OVER TIME US WILL REGAIN A MORE NORMAL POSITION -- \$10-20 BILLION OF OUR TRADE DEFICIT IS CYCLICAL. AS FOR EXCHANGE RATES, WE WANT A STRONG DOLLAR. HOWEVER, THE MARKET GOES LARGELY ON THE BASIS OF FUNDAMENTALS; INTERVENTION CANNOT DO MORE THAN SMOOTH FLUCTUATIONS.

DISCUSSION OF MIAMAIN ISSUES

10. THE DISCUSSION WHICH FOLLOWED US PRESENTATION FOCUSED ON TWO POINTS: THE POSSIBILITY OF "OVERSHOOTING", AND THE DEGREE TO WHICH "WILLING" OFFICIAL DOLLAR HOLDERS MAY BECOME SCARCE. PUT ANOTHER WAY, THERE WAS CONSIDERABLE SKEPTICISM THAT THE US COULD FINANCE THE EXPECTED DEFICIT WITHOUT FURTHER PRESSURE ON THE RATE. A WIDELY-HELD VIEW WAS THAT OFFICIAL DOLLAR HOLDERS WILL BE UNPREPARED TO INCREASE THEIR HOLDINGS IN 1978 TO THE SAME EXTENT THEY DID IN 1977. PRIVATE HOLDERS CANNOT BE EXPECTED TO INCREASE THEIR CONFIDENTIAL

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HOLDINGS ENOUGH TO REDUCE THE NEED FOR INTERVENTION UNLESS EXPECTATIONS STRENGTHEN APPRECIABLY. THEREFORE, THE DOLLAR RATE IS LIKELY TO MOVE DOWN UNTIL IT HITS THE POINT (UNDETERMINED) WHERE EXPECTATIONS, ON BALANCE, ARE FOR APPRECIATION. THIS TYPE OF MOVEMENT LEADS TO "OVERSHOOTING" OF THE RATE BEYOND WHAT IS DICTATED BY FUNDAMENTALS.

11. ON THE OTHER HAND, NO ONE WAS WILLING TO SUGGEST A CUT IN THE US GROWTH RATE. IT WAS GENERALLY ACCEPTED THAT INTERVENTION CANNOT HOLD A RATE IF THE MARKET HAS STRONG EXPECTATIONS FOR A CHANGE. THE ONLY POLICY TOOL ANYBODY WAS WILLING TO ADVOCATE WAS INTEREST DIFFERENTIALS. WALLICH NOTED THAT THIS SHOULD BE DONE BY LOWERING RATES IN COUNTRIES WITH ROOM TO EXPAND AND NOT, AS SUGGESTED BY SOME, BY RAISING THE RATES IN THE US. US RATES ARE NOW NEAR LEVELS AT WHICH DISINTERMEDIATION MAY TAKE PLACE, WHICH WOULD HURT GROWTH. (BELGIAN DEL VAN YPERSELE ALSO SUGGESTED POSSIBILITY OF ISSUING SPECIAL US SECURITIES TO HOLD OPEC FUNDS.)

12. THE FEAR OF "OVERSHOOTING" SEEMED TO COMBINE TWO VIEWS:

-- WHILE THERE WAS A GENERAL FEELING THAT THE EXCHANGE RATE CHANGES TO DATE HAVE NOT BEEN INAPPROPRIATE, THERE WAS FEAR THAT MORE WOULD BE TOO MUCH; AND

-- GIVEN THE IMPORTANCE OF CONFIDENCE, A RATE MAY NEED TO "OVERSHOOT" BEFORE NERVOUS INVESTORS ARE CONVINCED

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IT IS SAFE TO BUY IN.

IT WAS INTERESTING, HOWEVER, THAT ONLY THE SWISS WERE
PREPARED TO SAY THAT ANY OVERSHOOTING HAD OCCURRED
UP TO NOW.

13. WALLICH NOTED THAT IN ANY CASE WE CAN ONLY OB-
SERVE OVERSHOOTING IN RETROSPECT; THERE ARE ALWAYS
GOOD REASONS FOR RATE MOVES AT THE TIME. FRG DELS
NOTED THAT THEIR FEAR OF OVERSHOOTING STEMS NOT FROM
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A DESIRE FOR EXPORT-LED GROWTH, BUT RATHER FROM CONCERN
THAT OVERVALUED DM HURTS EXPORTS AND MAKES GROWTH
HARDER TO ACHIEVE. MCMAHON (UK) NOTED THE EFFECT OF
USE OF THE DOLLAR AS AN INTERVENTION MEDIUM BETWEEN
OTHER CURRENCIES. (SOLOMON INDICATED THAT THERE IS
SOME EVIDENCE THAT "SNAKE" INTERVENTION IN
DOLLARS CAN AMPLIFY EXCHANGE RATE MOVEMENTS AND THUS
BE UNHELPFUL. HE INVITED SNAKE COUNTRIES TO
CONSIDER A POSSIBLE RETURN TO THEIR ORIGINAL POLICY OF
MAINTAINING LIMITS WITHIN THE SNAKE BY INTERVENING IN
THEIR OWN CURRENCIES.) IN HIS SUMMARY, CHAIRMAN
(MATSKAWA) NOTED THE GENERAL AGREEMENT ON THE IMPOR-
TANCE OF CONFIDENCE AND STABLE EXPECTATIONS.

14. GOJ DEL (HIRAO) NOTED THAT MOST OF RECENT JAPANESE
EXPORT GAINS REFLECTED PRICE, NOT VOLUME, DEVELOPMENTS.
THE POLICY OBJECTIVE OF 7 PERCENT DOMESTIC GROWTH WILL
HELP THE ADJUSTMENT PROCESS, AS WILL TRADE LIBERALIZA-

TION MEASURES. HIGHER GROWTH AND YEN APPRECIATION WILL RESULT IN A CURRENT ACCOUNT SURPLUS OF \$5.5 TO 6 BILLION IN FY 78. AS A RESULT OF YEN APPRECIATION, THERE HAVE BEEN LAY OFFS IN SOME INDUSTRIES; IMPLICATION WAS THAT FURTHER RATE CHANGE WOULD LIMIT EXPANSION. IN RESPONSE TO A UK QUERY, HIRAO SAID GOJ HAS NO FORECAST OF THE QUARTERLY GROWTH PATTERN.

15. VAN YPERSELE QUESTIONED THE JAPANESE CURRENT ACCOUNT FORECAST, AND NOTED THE DANGER OF PROTECTIONISM IF LARGE SURPLUS PERSISTS. MCMAHON NOTED THAT PRIVATE FORECASTS ARE HIGHER THAN OFFICIAL JAPANESE FORECAST. THE SURPLUS WILL COME DOWN, ONE WAY OR ANOTHER. JAPANESE EXPORTS ARE CONCENTRATED IN SENSITIVE, HIGHLY VISIBLE INDUSTRIES, AND IF THE

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SURPLUS IS NOT REDUCED BY APPROPRIATE POLICIES, OTHERS WILL ENACT INAPPROPRIATE POLICIES TO BRING IT DOWN. HE WENT ON TO QUESTION BOTH THE ACCURACY AND ADEQUACY OF THE JAPANESE GROWTH PROJECTION, NOTING THAT 7 PERCENT FOR THE YEAR IMPLIES A 9 PERCENT RATE BY THE END OF THE PERIOD. SOME OF THE LAGS IN CURRENT ACCOUNT ADJUSTMENT MAY BE MADE UP BY AID AND LONG-TERM CAPITAL FLOWS, WHICH SHOULD ALSO INCREASE. HIRAO REPLIED THAT PRIVATE FORECASTS USE A DIFFERENT GROWTH ASSUMPTION, AND HE NOTED RECENT AND PROSPECTIVE INCREASES OF AID AND LONG-TERM CAPITAL.

16. GERMAN DEL (WEBER) SAID THAT FRG'S 3-L/2 PERCENT GROWTH TARGET FOR 1978 IS REALISTIC IN VIEW OF THE 1977 SHORTFALL. IT ALSO IMPLIES A QUITE RESPECTABLE 4-L/2 TO 5 PERCENT RATE BY YEAR-END. RECENT DATA TEND TO CONFIRM THIS. HE WENT ON TO NOTE THAT HALF OF THE UNEMPLOYED ARE "NOT EASILY ABSORBABLE" AND THAT THUS THE 1 MILLION FIGURE OVERSTATES THE PROBLEM. PRICE PERFORMANCE IS SATISFACTORY, AND INFLATION IS NOT A POLICY CONSTRAINT. THE FORECAST REQUIRES THAT PROFITS GROW 11 PERCENT, WHILE WAGES GROW 5.5 PERCENT. THE MAIN UNCERTAINTIES ARE WAGES AND THE EXTERNAL SECTOR. ALTHOUGH WEBER EXPLICITLY REFRAINED FROM SAYING THERE HAS BEEN OVERTHOOTING OF RATES TO DATE, HE INDICATED THAT FURTHER DM APPRECIATION COULD HURT INVESTOR CONFIDENCE. THE PROBLEM PERTAINS TO A FEW CROSS-RATES. "POLITICALLY RESPECTABLE" PEOPLE IN THE US HAVE ACKNOWLEDGED THE

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NEED FOR A STRONG DOLLAR, AND ACTED. THE QUESTION
REMAINS WHETHER THE US DEFICIT CAN BE SMOOTHLY
FINANCED. FURTHER INTERVENTION CANNOT HELP. WEBER
SAID IT WOULD BE "UTTERLY UNWISE" TO CONSIDER A NEW
CONTINGENCY PLAN FOR STIMULATING THE GERMAN ECONOMY
BEFORE SEEING RESULTS OF THE FIRST ONE. THE PUBLIC
SECTOR DEFICIT IS AT ITS POLITICAL LIMIT. HE NOTED
DIFFICULTY OF TRANSLATING HIGHER DOMESTIC LIQUIDITY
INTO EFFECTIVE DEMAND.

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17. IN GENERAL, MOST DELEGATES POINTED TO NEED FOR
MORE GROWTH IN THE STRONG COUNTRIES. THUS, THE UK

AND THE SMALLER EUROPEAN COUNTRIES ARGUED FOR STRONGER GERMAN GROWTH, POINTING OUT ALTERNATIVE RISK OF PROTECTIONISM AND FURTHER DM APPRECIATION. THEY ALSO NOTED THAT THE "POLITICAL LIMIT" ARGUMENT ADVANCED BY SOME OF THE SURPLUS COUNTRIES WAS IN SOME SENSE SELF-FULFILLING. SECRETARIAT (MARRIS) BELIEVED GERMAN GROWTH WILL SAG OFF IN THE SECOND HALF OF THE YEAR, AS IT DID IN 1977. HE ECHOED FEAR OF PROTECTIONISM, AND OPINED THAT FURTHER DM REVALUATION IS INEVITABLE. RESPONDING TO A GENERAL CALL FOR TAX CUTS, WEBER SAID THAT A CUT FOR EXTERNAL REASONS IS HARD TO SELL POLITICALLY. FRG WILL KEEP THINKING ABOUT POLICIES, BUT IT WOULD HELP IF OTHERS WOULD STOP TALKING ABOUT THEM.

18. FRENCH DEL (DE LAROSIERE) POINTED OUT THAT, IF ONE DOES NOT WANT THE U.S. TO CUT GROWTH AND DOES NOT WANT A LOT OF EXCHANGE RATE MOVEMENTS, THE ONLY ALTERNATIVE WAY OF GETTING ADJUSTMENT OF IMBALANCES IS BY STRONGER GROWTH IN SURPLUS COUNTRIES. INTERVENTION CANNOT WORK FOR A LONG TIME OR IN UNLIMITED AMOUNTS. HE ALSO GAVE BRIEF, UPBEAT RUNDOWN ON FRENCH BALANCE OF PAYMENTS IN 1977. REDUCTION OF THE CURRENT ACCOUNT DEFICIT (TO \$2-1/2 BILLION) REFLECTED UNDERLYING FACTORS, ESPECIALLY LOW GROWTH AND SLOWER INFLATION.

COMPETITIVENESS

19. DURING SECOND HALF-DAY THERE WAS DISCUSSION OF LITTLE SUBSTANTIVE INTEREST ON TECHNICAL SECRETARIAT PAPERS ON MEASURES OF COMPETITIVENESS AND THE PAYMENTS
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POSITION OF NON-OECD AREAS. US (SHAVER) NOTED SOME PROBLEMS WITH THE SECRETARIAT COMPETITIVENESS MEASURES, AND MADE THE POINT THAT THEY CANNOT BE USED TO INDICATE WHETHER EXCHANGE RATES ARE UNDER- OR OVER-VALUED. SOLOMON SUGGESTED THAT A TECHNICAL LEVEL GROUP FROM CAPITALS MIGHT BE USED TO LOOK AT SECRETARIAT'S FUTURE WORK ON COMPETITIVENESS.

MONETARY POLICY CONSIDERATIONS

20. A DETAILED DISCUSSION OF RELATIONSHIP OF MONETARY POLICY TO THE EXTERNAL SECTOR, LAST ITEM ON AGENDA,

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WAS DEFERRED TO THE NEXT MEETING, ALTHOUGH WALICH
HAD OCCASION TO SUMMARIZE US VIEWS. ESSENTIALLY,
HE ELABORATED FURTHER ON THE DANGER OF HIGHER INTEREST
RATES FOR THE US, AND PROSPECT THAT LOWER RATES IN
STRONG COUNTRIES WOULD NOT HURT THEM. IN THIS CONNEC-
TION GERMANS (RIEKE) HAD EARLIER DISCUSSED THE
MONETARY CONSTRAINT ON LARGE SCALE EXCHANGE MARKET
INTERVENTION. HE NOTED THAT INTERVENTION IN GERMANY
HAD RECENTLY HAD A LARGE IMPACT ON THE INTERNAL
MONEY SUPPLY. THIS COULD BE TOLERATED TEMPORARILY
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(SINCE APPRECIATED DM HAD FAVORABLE EFFECT
ON PRICES AND TO THAT EXTENT OFFSET

INFLATIONARY PRESSURES FROM MONETARY EXPANSION), BUT
"SOONER OR LATER" INTERVENTION WOULD CREATE VERY
DIFFICULT PROBLEM FOR DOMESTIC MONETARY MANAGEMENT.

PRESS LEAKS

21. SOLOMON STRONGLY DEPLORED UNFORTUNATE EFFECT THAT
PRESS LEAKS BASED ON WP-3 DOCUMENTS HAD ON EXCHANGE
MARKET DEVELOPMENTS. HE STRESSED THAT UNLESS CARE
IS TAKEN, THERE IS NO POINT IN HOLDING THE MEETINGS.
CHAIRMAN MATSUKAWA URGED THAT STRICT CONFIDENTIALITY
BE OBSERVED.

NEXT MEETING

22. THE NEXT MEETING WAS TENTATIVELY SCHEDULED FOR
JULY 7,I.E., RE-LINKED WITH EPC, IF THAT BODY MEETS
JUNE 5-6.
SALZMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, COMMITTEE MEETINGS, COMMITTEES, PARTY MEETINGS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS06671
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780086-0471
Format: TEL
From: PARIS USOECDF
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780216/aaaaanlc.tel
Line Count: 675
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 84c338d0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 PARIS 36815, 78 PARIS 1932, 78 PARIS 35069, 78 PARIS 6190
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3486483
Secure: OPEN
Status: NATIVE
Subject: OECD ECONOMIC POLICY COMMITTEE'S WORKING PARTY 3 MEETING, FEBRUARY 16-17 CONFIDENTIAL
TAGS: EFIN, ECON, OECD
To: STATE TRSY
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/84c338d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014